

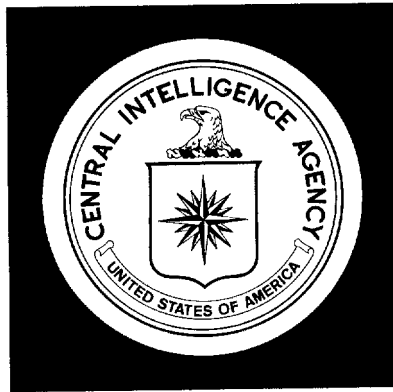
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# Weekly Summary

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No. 0001/76

January 2, 1976

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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology.

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## ANGOLA: TEMPO UP

### Military Situation

With the Organization of African Unity's emergency summit on Angola less than two weeks off, the tempo of fighting in Angola is likely to pick up as the two rival regimes attempt to impress African leaders with their strength.

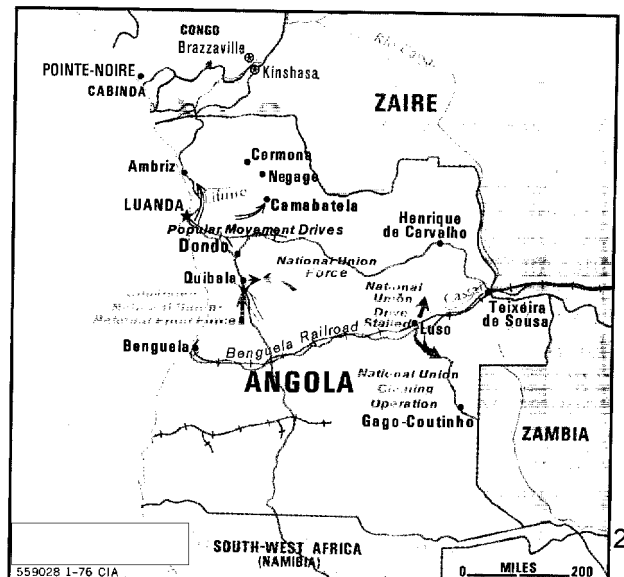
In eastern Angola, the National Union claimed last week to have captured the important railway town of Teixeira de Sousa. A separate National Union group that set out from Luso for the Popular Movement's major base at Henrique de Carvalho remains stalled at the Cassai River. Popular Movement forces have destroyed bridges across the river and have established new defensive positions north of the river. South of Luso, Union troops continue mopping-up operations against Popular Movement remnants.

In the west-central sector, the Popular Movement apparently remains in firm control of Quibala after several weeks of sharp fighting. The fighting around Quibala has confirmed that the Popular Movement now has some T-34 tanks in the field along with Soviet-made Sagger anti-tank missiles.

In the north, the Popular Movement is preparing to renew its offensive against Ambriz, the National Front's headquarters. An earlier drive bogged down because bridges had been

destroyed and rivers were swollen by seasonal rains. The Popular Movement has now managed to place at least one bridge across the Lifune River and has put a small force on the other side.

The Popular Movement has already stepped up its pressure in a wide area south of Negage, with the objective of taking Carmona, an important Front stronghold. This week Front forces reportedly were pushed back from Camabatela on the main road to Negage.



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Jonas Savimbi

## Political Developments

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The continuing publicity being given South African intervention on behalf of the Popular Movement's rivals has increased the pressure on uncommitted African states to come out in favor of the Popular Movement. Last week, two more OAU members—Ghana and Burundi—recognized Agostinho Neto's Luanda-based regime, raising to 17 the number of formal Popular Movement backers in the 46-member OAU. The new total includes Equatorial Guinea, whose recognition of the Popular Movement last November was only recently confirmed.

National Union leader Savimbi and National Front president Roberto have launched a major

propaganda campaign aimed at trying to ease the stigma of collaboration with South Africa and to dramatize Soviet and Cuban intervention in Angola. Savimbi and Roberto hope to prevent outright recognition of the Neto regime at the summit and to work for a resolution condemning all outside intervention and calling for a cease-fire and a government of national unity.

## Soviet Position Hardens

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Moscow has stiffened its public support for the Popular Movement in response to statements by high US officials urging an end to Soviet involvement in Angola. In a strongly worded commentary on Christmas eve, *Izvestia* firmly reiterated that detente does not mean that Moscow will stop supporting revolutionary movements. *Izvestia* asserted that efforts by "some" Western circles to portray Soviet backing of the MPLA as inconsistent with detente are pointless.

The Soviets, meanwhile, are not counting the US out of the Angola game just because of controversy in Washington over the issue. Tass director Zamyatin, who sometimes acts as unofficial public spokesman for the Kremlin, seemed to discount senatorial opposition to continued US involvement in Angola in remarks made on December 27. He stressed that the Ford administration was determined to overcome the senatorial attempt to curtail appropriations for Angola.

The Soviets are coming down hard on South African intervention in Angola in anticipation of the OAU meeting next week. Moscow can be expected to use what diplomatic leverage it has in Africa to ensure that Pretoria's involvement becomes the focus of summit deliberations.

The Soviets are also urging the Africans to turn a cold shoulder to proposals for a compromise between the contending Angolan factions. The Russians are saying that attempts at unity are "useless" in view of the "criminal alliance" between South Africa and "splitist groups" in Angola.

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**SPANISH SAHARA: MOROCCO SETTLES IN**

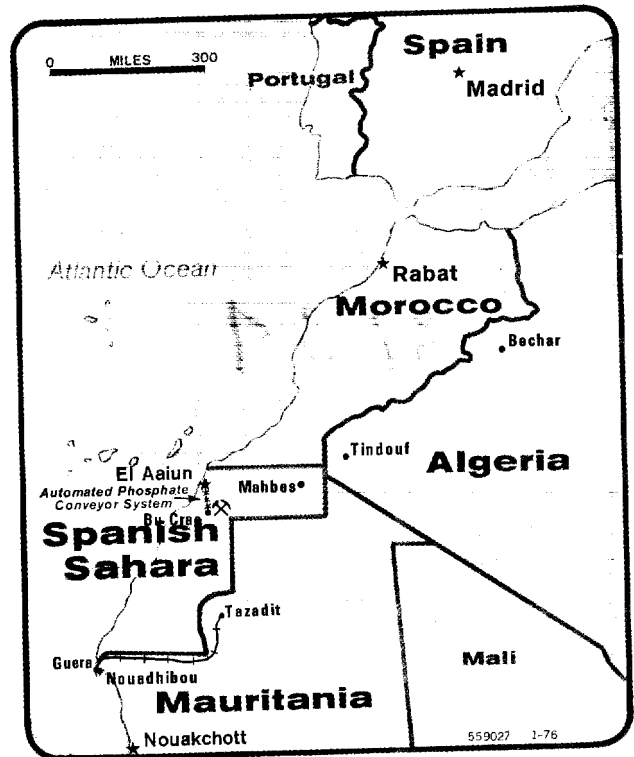
Rabat is continuing to expand its control of northern Spanish Sahara as Spain completes its withdrawal from the disputed territory. Algeria, still opposed to the Moroccan-Mauritanian take-over that is now well under way, has not responded to recent conciliatory Moroccan overtures and is continuing to give material support to guerrillas of the Polisario Front, a Saharan independence movement.

Madrid will maintain a small political mission in the territory, but its military presence, already reduced to a symbolic force, will end by mid-January. On December 28, Spain turned over the military air base and civilian airport at El Aaiun to Moroccan forces. Rabat has also established itself in most of the towns in the north.

So far, Rabat has not challenged the Front's control of Mahbes. The Moroccans probably want to consolidate their grip elsewhere before risking a possible Algerian military response by conducting operations so close to the border.

Fighting between Mauritanian and Polisario forces along the long southern and eastern border of the Saharan territory has subsided for the moment. On December 19, Mauritanian troops, reportedly aided by a Moroccan unit, dislodged the Front from the Saharan border town of Guera. The operation was launched to secure the terminus of an economically vital Mauritanian rail line. Nouakchott is clearly alert to any opportunity to establish its authority elsewhere in the southern Sahara, but will carefully control its military involvement because of its limited capability and resources.

The Polisario guerrillas, although no match for Moroccan and Mauritanian forces in conventional fighting, are capable of carrying out sabotage and harassing actions over a wide area. They have made a few forays into southern Morocco in an attempt to disrupt supply lines. Last week, the guerrillas slightly damaged the vulnerable belt conveyor system that carries phosphate ore some 60 miles from Bu Craa to El



Aaiun. The system was not operating at the time, having been shut down in early December for a month as part of the turnover of administrative powers in the territory.

On the political front, Morocco is trying to prevent a further deterioration of relations with Algeria over the Saharan issue. A senior Moroccan Foreign Ministry official visited Algiers on December 29 for talks with President Boumediene. The official was the second such Moroccan emissary in as many weeks. There are no indications that either envoy had any success in softening Algiers' attitude.

The prospect of prolonged tension over Spanish Sahara has prompted Algeria to continue strengthening its military forces along the frontier with Morocco and the Sahara. During the first three weeks of December, according to

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25X1 [redacted] in Oran, a constant flow of military convoys traveled south through Bechar toward the Algerian military base at Tindouf.

25X1 Algiers' military moves still seem intended to improve its border defenses and to deter the Moroccans from pursuing Polisario forces into Algerian territory. An Algerian official recently indicated that he did not expect a clash between Moroccan and Algerian forces unless Rabat tried to close infiltration routes into the Sahara.

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### BANGLADESH: MILITARY STILL RESTIVE

Unrest within the armed forces, which erupted in several mutinies in early November, is again plaguing the government in Dacca. Continued military dissension may not only threaten the present regime's control of the country, but could have wider regional impact as well. In the chaos that would probably accompany a large-scale collapse of military discipline, attacks on the Hindu minority in Bangladesh would become more likely. Such attacks, in turn, might well lead to Indian military intervention.

Last week enlisted men in two army units in Dacca temporarily refused to obey orders transferring their units to posts in northern and eastern Bangladesh. The two units were largely responsible for the rise to power last November of Army Chief of Staff General Zia ur-Rahman, who dominates the martial law administration.

The troops reportedly demanded the return to Bangladesh of two of their former officers who were exiled in November and eventually found sanctuary in Libya. The two were part of a group of middle-grade officers who led the coup against former president Mujib last August. They also may have been responsible for the murders of several imprisoned high-level supporters of Mujib during the coup in early November against his successor, Khondakar Mushtaque.

After negotiating directly with Zia, the Dacca troops relented and swore on the Koran to obey

future orders. Zia, who is popular with enlisted ranks, reportedly threatened to resign if the troops continued to defy orders.

Zia was probably aware that a return of the two officers could antagonize New Delhi and heighten continuing Indian suspicions regarding the orientation of the current government in Dacca. Mujib and his murdered followers were considered to be friends of New Delhi. Recent statements by General Jacob, the commander of Indian forces in eastern India, indicate that New Delhi is still watching the Bangladesh situation closely. Jacob seemed convinced, when speaking with the US consul general in Calcutta early last week, that Zia's position is weakening. He forecast another round of disorder in Bangladesh, but insisted that his troops are not preparing to intervene.

Zia also probably realized that should he give in to the Dacca troops' demands, his authority and that of the martial law administration would be impaired and further indiscipline in the military would be encouraged. As it is, the US embassy in Dacca reports that widespread grumbling continues in the military over the government's failure to redress economic grievances that helped trigger the mutinies in November. A government campaign to punish enlisted men who were involved in those disturbances may also have generated some resentment among the troops. The campaign was recently halted, or at least temporarily suspended.

Zia could face new problems in the officer corps where there reportedly already exists resentment against him. In an apparent effort to strengthen his position, Zia in late December forced into retirement General Khalil ur-Rahman, one of the country's highest ranking officers. Rumors are circulating in Dacca that another senior officer may soon be shelved. Khalil was one of the officers held in Pakistan until after the end of the Bangladesh independence struggle in 1971. His forced retirement could cause resentment among other repatriated officers, some of whom are reportedly disgruntled because they believe they have not been promoted as quickly as officers who fought in the war. [redacted]

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## LEBANON: INCHING AHEAD

The fighting in Beirut remained at a low level this week, and diminished sharply in northern and eastern Lebanon. The improved security situation resulted from guarded optimism that Lebanese President Franjiyah and Syrian leaders had reached agreement on the broad outlines of a political settlement.

According to Lucien Dahdah, a former foreign minister who has been Franjiyah's emissary to Damascus for the past two weeks, the President and the Syrians have reached an understanding that provides for:

- Franjiyah to remain in office until his term ends next September.
- Formal meetings between Franjiyah and Prime Minister Karami, as representatives of the country's Christian and Muslim communities, to negotiate the details of a settlement.
- Concessions by Lebanese Christians to bolster the power of the prime minister and strengthen Muslim representation in parliament and the civil service.
- Implementation of existing agreements between the Lebanese government and the Palestinians.
- Syrian and perhaps other international guarantees that the agreement will be respected by Lebanese Muslims and the Palestinians.
- An outside "reconstruction and security mission" to ensure order until the Lebanese police force can be expanded to an effective level.

The agreement cannot be implemented for several months, if at all. Armed clashes are certain to recur, and are likely to delay or even undermine the planned talks between Franjiyah and Karami. The continual heavy fighting over the past two months prompted the President and the

Prime Minister to disregard an earlier commitment to discuss concrete reform proposals.

The present agreement follows apparent recognition by Franjiyah that Damascus is playing a constructive role in Lebanon and that limited concessions by the Christians are preferable to continued heavy fighting. The President is attempting to buy peace by privately offering a few concessions to the Muslims. He presumably believes this will allow him to remain in office for the rest of his term, yet avoid the opprobrium of having sold out the Christian community.

Franjiyah is qualifying his offers to the Muslims. He told a parliamentary committee this week that he would oppose eliminating religious requirements for the principal government posts, and insisted that Lebanese living outside the country, who are mostly Christian, be included in any census preceding a reallocation of parliamentary seats.

The right-wing Christian political parties will probably go along with Franjiyah's concessions. Phalanges Party leader Pierre Jumayyil met on December 31 with Interior Minister Shamun and major Maronite leaders, presumably to ask them to endorse a common Christian stand. This would strengthen the Christians in their negotiations with the Syrians and Lebanese Muslims, and would help protect Franjiyah and Jumayyil against attacks by ultra-conservative Christians.

Syria will have great difficulty persuading or forcing the Palestinians and Lebanese Muslims to respect any political agreement with Franjiyah. Some radical fedayeen, the Lebanese communists, and several far left groups seek to overturn Lebanon's governing system, and some who favor a negotiated settlement in principle are making such sweeping demands that there is no chance they will be satisfied.

The Muslim side is so divided that Karami will not be able to commit even old-line Muslim

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leaders to any important agreement without endless consultations. In addition, the Prime Minister has virtually no authority to speak for radical Muslims like Ibrahim Qulaylat or leftists like Kamal Jumblatt.

Neither Karami nor the Syrians is likely to attempt to force the Palestinians to respect their past agreements with the government. They may press the major fedayeen groups to end their assistance to Palestinian and Lebanese radicals, however, and to take more forceful steps to prevent sniping and looting in Beirut.

The provisions of the Lebanese-Syrian understanding that relate to international guarantees or police forces will be the most difficult to implement. Lebanese Christians are always suspicious of Syrian involvement in their country, and will not accept Damascus as the sole guarantor of a comprehensive peace agreement.

Those Christians who favor a foreign presence prefer a UN force. That, in turn, is opposed by the fedayeen, who fear that any effective UN force would be used to restrict their cross-border raids on Israel.

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## **NORTH YEMEN - SAUDI ARABIA**

### **All Smiles Now**

Relations between Sana and Riyadh are now on the mend after a period of strain, particularly following the North Yemenis' announcement in late November of their intention to accept a major arms package from the Soviet Union. Yemeni strong man Ibrahim Hamdi returned from a trip to Saudi Arabia last week announcing "complete

satisfaction" with long-promised but oft-delayed Saudi offers of military aid.

### **Soviet Arms Deal**

The status of the Soviet arms deal is not entirely clear, but the Saudis may have agreed to North Yemen's acceptance of a reported "first phase" of the offer, including items such as MIG-17s and T-34 tanks that are already in Sana's inventory, on the understanding that the Yemenis do not accept a second phase that includes "new" equipment like MIG-21s and T-54 tanks. Hamdi apparently explained to Saudi Defense Minister Sultan that the new Soviet arms were promised on the condition that he himself go to Moscow—something he insists he will not do provided the Saudis give him a firm alternative.

Sultan and Crown Prince Fahd evidently gave assurances that Saudi Arabia would honor its arms commitments to Yemen. A special emissary from Prince Sultan is to arrive in Sana in the next few days bringing specific proposals for the modernization of the Yemeni army. According to the Yemeni foreign minister, implementation is to begin as soon as the documents have been signed.

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Prime Minister Moro (second from left) meets with union leaders.

## ITALY: WAGE GAINS AND RECOVERY

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Labor contracts now being negotiated stand to boost Italian labor costs substantially, erasing recent gains in the fight against inflation, discouraging a recovery in investment, and contributing to an anticipated worsening in the trade account. The contracts in question cover approximately 60 percent of all industrial workers.

The bargaining platform adopted last month by the 1.5 million metalworkers, Italy's largest group of unions, set the stage for hefty pay boosts throughout industry. Although their demands exceed government guidelines, they do not go as far as the more militant labor leaders have been urging.

Following months of negotiations, the unions agreed among themselves to limit their wage demand to an across-the-board boost of \$44 per month in return for promises of job-creating new investments by both industry and government. Beyond this 15-percent pay hike, other unions' demands will raise labor costs even higher. In particular, the unions want to increase the number of jobs by shortening the workweek and eliminating overtime.

Established cost-of-living agreements assure that most of the pay boost will be translated into real wage gains. Automatic escalator clauses have sparked four cost-of-living increases already this

year, and further adjustments are scheduled every quarter.

Over the past five years, real wages for industrial workers have substantially outdistanced inflation. With higher social security contributions and more generous fringe benefits adding 72 cents to each dollar paid in wages, Italian unit labor costs are among the highest in Western Europe. Labor's share of national income has risen from 56 percent in 1969 to 68 percent in 1974. Although these impressive gains in real wages apply only to the unionized work force, some spillover effects have hit the extensive small-scale sectors as well.

It is only through the efforts of the Communist-dominated Italian General Confederation of Labor, Italy's biggest union federation, to limit demands that the metalworkers are not asking for more. Secretary General Lama has been preaching the need for lowering wage claims to stimulate employment.

The losing hard liners, who had pressed for even higher wages, belong mainly to the Italian Confederation of Workers' syndicates, a predominantly Christian Democratic federation, and draw support from the Socialists. Their militancy appears to conflict with efforts by the

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Christian Democrat - dominated coalition government to hold down inflation and spur investment.

The Communists are pushing nonmonetary demands in the metalworkers' platform. A major plank calls for a union voice—if not a veto—in decisions on industrial investment, technological innovation, employment levels, and labor mobility. The right to a major role in managerial decision-making is claimed by the unions as essential to safeguarding employment. Management is attacking the demand as "expropriation of entrepreneurship."

The expected wage increases will give inflation new impetus as firms try to pass through cost increases by raising prices. Indexing of wages to consumer prices will prolong the wage-price spiral. Rome's dramatic gains in slowing consumer price rises from a 27-percent annual rate in the first 10 months of last year to 11 percent in the same period this year will be partly wiped out.

Higher prices will erode the real value of Rome's expansionary fiscal program, possibly leading to a further rise in unemployment and short-time work. In the first 9 months of 1975, the number of reduced work hours compensated by a special fund rose 244 percent from the same period in 1974, and industrial underemployment soared. While official data continue to show unemployment at only 3.3 percent, observers believe it to be much higher, probably exceeding 1 million workers (5.4 percent).

Higher prices for Italian export goods will further weaken the lira. The short-term result will be a worsening in the Italian trade balance in dollar terms. The lira already has fallen 10 percent against the dollar in the past five months.

The industrial prices hikes are unlikely to offset completely the increases in costs coming from new contracts. Businesses will be less able and less willing to invest and expand production. With output off by 7 percent from a year ago, the industrial sector already is suffering from diminished profits and mounting indebtedness. Lower production rates are pushing up unit labor

costs, and strikes are running at double last year's pace.

With approximately 30 to 35 percent of production capacity idle and many firms in poor financial condition, we expect private investment in plant and equipment to stagnate next year after falling 23 percent in 1975. This weakening in the private sector will force the government to rely even more heavily on public investment—thereby inadvertently furthering a major objective of the Communist Party and leftist elements. [REDACTED]

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## **PORTUGAL: AUSTERITY MEASURES**

The wage freeze and other economic measures announced last week amount to little more than a holding action while the Azevedo government works to consolidate its political position and seeks outside assistance to head off economic collapse. The mere fact that the measures were enacted at all demonstrates the government's growing strength and confidence. At the same time, the adverse impact on Portuguese workers is likely to make them more susceptible to Communist and extreme leftist agitation.

The extension through February of the wage freeze that was first proclaimed in the aftermath of the leftist military uprising on November 25 seems likely to have the strongest and most immediate impact. The government's action suspends negotiations on new labor contracts pending the development of a system of wage controls. With wages frozen at a time when prices are being allowed to rise and taxes are being increased, workers will begin to feel the pinch almost immediately.

Prime Minister Azevedo is aware that strict austerity measures will be unpopular and could lead to unrest that might threaten his government. In a Christmas message to the nation, he

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tried to impress on the people, and especially on workers, the severity of Portugal's economic problems. He stressed that economic recovery depends on solid agreement between the unions and the government on a wage policy. Unless production increases, he said, Portugal will face an economic catastrophe.

His pleas may fall on deaf ears, however. The Communists are still strong among blue collar workers in the industrial areas in and around Lisbon and retain hopes of regaining the initiative they lost on November 25. Before the abortive leftist military uprising, the Communists managed to paralyze the government through the effective use of workers. On one occasion, Communist-led construction workers besieged Prime Minister Azevedo's residence and forced him to retreat on wage constraints. A similar success now would go a long way toward reviving the party's declining fortunes.

The government is aware that it is still vulnerable to a resurgence of the left if it is unable to reverse the downward spiral of Portugal's economy. Government and civilian political leaders are sounding out their European neighbors on the possibility of securing some large scale loans, possibly using Portugal's sizable gold reserves as collateral. So far, however, they have met with little success.

Despite the general awareness among political leaders of the need for action to stimulate the economy and head off a balance-of-payments crisis, there is not complete agreement on what to do. Prime Minister Azevedo apparently had to override the objections of some civilian cabinet ministers in approving the austerity measures already taken. With legislative elections now set to take place by April 25, 1976, civilian politicians are reluctant to share responsibility for unpopular actions.

With such examples as this, and the continuing wrangling over which party should have which positions when the next round of cabinet changes takes place, even those military officers

inclined to get out of politics are becoming convinced that the armed forces must continue to play a political role—even if only as a referee. Such arguments will be heard in early January, when military and political party representatives meet to revise the pact that was signed last spring setting out the role of the armed forces in politics and government.

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### SOVIET: COMSAT DEVELOPMENTS

The Soviets put a satellite, Statsionar 1, into a stationary orbit over the Indian Ocean on December 22. According to Tass, the satellite will relay telephone, telegraph, and color and black-and-white TV signals 24 hours a day.

Since 1970, the Soviets have planned to place a geostationary satellite in orbit over the Indian Ocean to relay domestic communications and TV programs. Statsionar 1 may in fact be this satellite. Earlier this year, the Soviets announced plans to launch three other geostationary satellites in 1975 and 1976. These satellites—Statsionar 2, 3, and T—are to provide communications and TV broadcast services to Eastern Europe and the USSR. Statsionar T is to be used only for TV broadcasts.

Recently the Soviets announced further plans for a global geostationary satellite system. Although such a system would bear some resemblance to the 91-nation network of the International Telecommunications Satellite Organization, the Soviet system would not be comparable in performance.

These satellites would be launched between 1978 and 1980. The system would consist of seven stationary satellites positioned over the Indian, Atlantic, and Pacific oceans. This is an ambitious undertaking and, based on past Soviet performance, may not occur on schedule.

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**USSR: FIVE-YEAR PLAN**

The draft directives of the new Soviet five-year plan issued last week do not call for radical shifts in production or allocation. Soviet leaders apparently were able to accept economic restraints and lower their sights without disruptive arguments in the Kremlin. They published the draft of this five-year plan somewhat more promptly than the past two.

Agriculture is to expand at an average annual rate of 5.5 percent. Growth in industrial output is slated to proceed at the 6.5 percent pace realized in the 1971-1975 period. The rate of growth in services is to remain the same, while construction, transportation, and domestic trade are to grow more slowly. The Soviets are planning, for the first time, for investment to grow more slowly than gross national product, 4.5 percent versus 5 percent. Consumption is scheduled to increase at about the same rate as gross national product. There are no projections of defense and space spending contained in the draft directives, but the plan apparently would permit continued growth of these programs.

To achieve even their conservative goal for overall growth, the Soviets must depend on a substantial increase in productivity. Since man-hours and plant and equipment are to grow at less than three quarters the rate attained in the last five-year plan, the new plan directives pick up old themes about uncovering hidden reserves and accelerating technological progress. Stepping up productivity gains, however, will be difficult for the Soviets, especially since the plan involves a slowdown in the retirement of obsolescent industrial plants and a rise in the proportion of investment slated for relatively high-cost Siberian development and for pollution control projects.

**Industry**

The pace of growth for the major industries—materials, machinery, nondurable consumer goods—will be maintained at approximately current rates. The production of primary

energy is to increase at an average annual rate of 5 percent in the next five years, slightly less than in the past five.

Even the more moderate goals set for oil and gas production will probably not be reached. Nevertheless, the USSR will probably be able to provide oil for domestic needs and for larger deliveries to Eastern Europe and the West. Gas exports to both Eastern and Western Europe will, in fact, rise substantially.

The low growth rate slated for the steel industry may foreshadow increasing dependence on the West. Soviet purchases of Western steel in 1974, although small relative to consumption, required an outlay of nearly \$1.9 billion in hard currency. The Soviets are already negotiating with Western firms for imports of steel over the next several years.

The slower growth planned for aluminum and copper output means a delay in Soviet plans for greatly expanded exports of these metals to the West.

**Agriculture**

At first glance, the planned 5.5-percent annual growth rate in agriculture appears quite ambitious, but on closer scrutiny it is seen to be relatively realistic. The growth rate recorded in the past five years was calculated on a high base year (1970) and a poor end year (1975); the next five will be calculated on the depressed 1975 base.

Grain production targets in the new plan are attainable with normal weather. Meat targets are consistent with planned grain production. The average annual meat production of 15.5 million tons in the next five years is the same as 1975.

Despite the generally poor performance of agriculture since 1970, the preliminary plan does not point to a shift of resources toward the farms. During the past five years, investment in

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agriculture and its supporting industries grew at an average rate of more than 9 percent, twice the rate for the remainder of the economy. This priority led to large annual boosts in production of farm machinery and farm-related industrial goods like fertilizer, lubricants, and electric power.

A partial reversal of these trends is indicated for the next five years. Although annual boosts in fertilizer use are to remain high, increases in farm investment are slated to be well below the rate for the rest of the economy. This will mean slower growth in inventories of farm machinery, which is badly needed to speed up planting and harvesting of crops.

### Consumer Welfare

Although per capita consumption will continue at roughly the annual rate achieved during the 1971-1975 plan, the regime's enthusiasm for improving living standards seems to have slipped a notch. This time around the something-for-everyone welfare package is missing.

This year's distress slaughtering means that consumers will have less meat by spring. Meat consumption for 1976 as a whole is likely to drop, perhaps as much as one fifth. Some of this shortfall could be covered by imports, if the USSR is willing to add to an already sizable hard currency deficit. Given a good grain harvest in 1976, meat consumption may increase again in 1977. Even so, per capita meat consumption in 1980 may not exceed 1975 levels.

Consumers are promised a number of items in high demand, such as automatic washing machines and self-defrosting refrigerators, and more cars will become available.

### Changes Possible

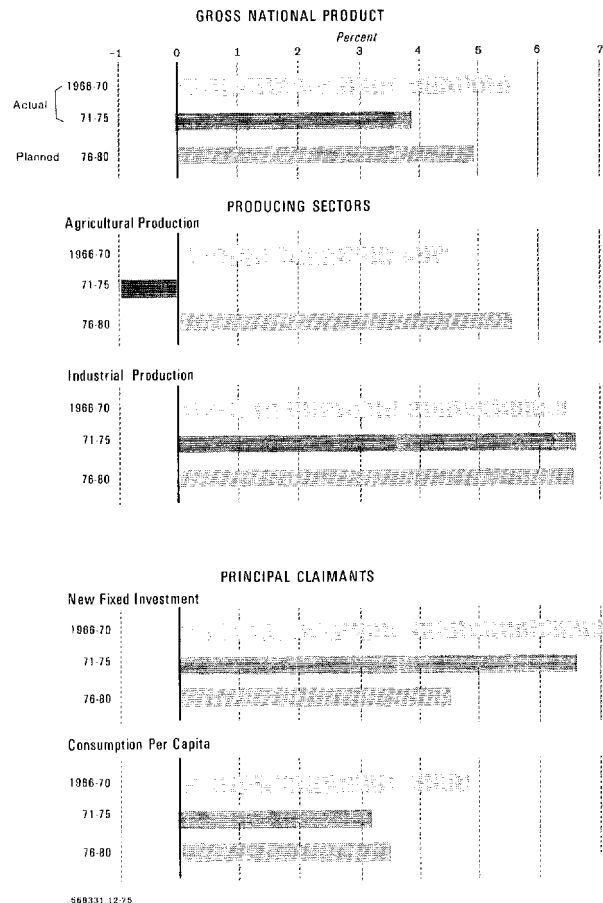
Alterations may be made in the plan between now and its final adoption late next year. The plan for 1976, presented to the Supreme Soviet in early December, drew an unusually loud chorus of

complaints from regional leaders asking for higher investments and growth rates.

*Pravda* recently made a rare reference to Stalin in emphasizing the continued importance of industrial development, suggesting that agricultural and consumer advocates still need convincing. Although the leadership is shunning major reforms, the rather dim outlook may also prompt proponents of economic experiment and reorganization to press their schemes.

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#### USSR: SELECTED ECONOMIC INDICATORS (Average Annual Rate of Growth, in Constant Prices)

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**TURKEY-USSR: KOSYGIN VISIT**

Soviet Premier Kosygin's good-will visit to Turkey was short on substance, but both sides found it useful to demonstrate that the atmosphere between Moscow and Ankara has improved. The Soviets sought to allay Turkish fears of the US and to encourage Turkey to drift further away from the US, while the Turks saw an opportunity to take some of the chill out of relations without seriously damaging their ties with the West. The Turks are undoubtedly eager to signal the West that they cannot be taken for granted.

In the communique issued at the end of the visit, the USSR and Turkey said they intend to prepare a "political document" on friendly relations and cooperation. This appears to be an attempt by the Turks to sidestep Moscow's oft-made proposal for a treaty of friendship and cooperation. It may involve no more than a reiteration of the declaration of principles the two sides signed during Soviet President Podgorny's visit in 1972. The new document is to be signed at a meeting of high officials in the near future, which may mean that Turkish Prime Minister Demirel will pick up Kosygin's invitation to visit Moscow next year.

The Cyprus issue was apparently not made a bone of contention. Moscow and Ankara reiterated their positions, and the opaque language of the communique succeeded in concealing their public differences. Kosygin may have sought privately to suggest that despite its rhetoric, Moscow has followed a policy of neutrality toward the Turkish occupation of the island.

In addition to his discussions with top government leaders, Kosygin met with opposition leader Bulent Ecevit and seemed to devote particular attention to him at a dinner given by Demirel. The Soviets, who commented favorably on Ecevit's policies while he was in office, undoubtedly calculate that the former prime minister has a good chance to return to power.

While in Turkey, Kosygin dedicated one of Moscow's largest foreign aid projects, the

Iskenderun steel plant. The Iskenderun project, on which construction began in 1970, involves \$420 million in Soviet credits. Last July, Moscow and Ankara signed an economic and technical agreement that could provide as much as \$600 to \$700 million in credits for several projects, including expansion of the Iskenderun plant to a capacity of 4 million tons a year. The portion of the plant opened by Kosygin will produce 1.1 million tons of steel a year. Both sides pledged to strengthen economic ties, but no new agreements were announced.

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**TURKEY: DEMIREL ACTS**

The re-election on December 24 of Republican People's Party deputy Kemal Guven as presiding officer of the Turkish National Assembly broke a parliamentary stalemate that had prevented the consideration of any other business since the legislative session opened in early November. The clearing of this logjam is welcomed in most circles, but it could put new strains on Prime Minister Demirel's shaky coalition government as parliament begins debate on the touchy problems facing the nation.

The deadlock had its roots in problems within the coalition. In keeping with his single-minded pursuit of nationalist or party goals, National Salvation Party leader Erbakan had insisted that Prime Minister Demirel support a member of the governing coalition for presiding officer of the assembly. Demirel reluctantly agreed, fearing that otherwise Erbakan might precipitate a cabinet crisis; but Demirel did so knowing he would incur the further enmity of opposition leader Ecevit by breaking a traditional "gentlemen's agreement." The post traditionally has gone to the numerically strongest party—in this case Ecevit's Republican People's Party.

The coalition was unable to discipline its own members or to attract sufficient votes from independents to elect Erbakan's candidate. Under

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**Prime Minister Demirel**

mounting pressure from all sides to resolve the problem, Demirel finally decided to honor the "agreement." Ecevit quickly reciprocated by helping elect Senator Tekin Ariburun of Demirel's Justice Party presiding officer of the upper house.

The general reaction to the end of the deadlock was relief. Only Erbakan expressed dissatisfaction, alleging that the Justice Party had shown preference for cooperating with the opposition over its own coalition partners. Erbakan's protest spawned inevitable rumors of a possible breakup of the coalition, but this seems only a remote possibility. Erbakan appeared content to remind Demirel of the indispensability of the Salvationists to the government. Demirel moved quickly nonetheless to put the speculation in perspective, pointing out that the coalition parties were under no obligation to act in unison on matters—such as this one—not covered by the terms of the coalition protocol.

There is no doubt, however, that Demirel is concerned about the fundamental instability of his government. The Prime Minister may in fact be involved in efforts to persuade independent and dissident opposition deputies to join the Justice Party. These efforts could conceivably allow Demirel to drop at least one unstable element—the extreme right-wing National Action Party—from the government.

While Guven's election cleared the air momentarily between Demirel and the opposition, it paved the way for debate on several substantive matters that could quickly rekindle political tensions. Violent student disorders—on the increase again after a three-week hiatus—could rapidly become a bitter political issue between the right-of-center government and the basically left-of-center opposition, particularly if the official response to the violence seems to favor the right-wing groups.



Another matter that may be bitterly debated is Demirel's nomination of a man with alleged extreme right-wing views to be director of the television and radio authority. Ecevit violently opposes the nominee not only because of his political views but also because a high court has ruled that Demirel's firing last spring of Ecevit's own appointee to the post was illegal.

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## CHINA-USSR

## Helicopter Crew Released

Peking on December 27 released a Soviet helicopter crew held incommunicado in China since March 1974. Although this is a significant Chinese gesture and one that removes an important irritant in Sino-Soviet relations, the release appears primarily a tactical maneuver in the context of the Sino-Soviet-US triangle rather than foreshadowing a basic modification of Peking's anti-Soviet orientation.

The Chinese gesture in fact has not been followed by a reduction or softening of Peking's strong propaganda attacks on Soviet policies, ambitions, and domestic institutions. Immediately before and after the release, Chinese propaganda continued to attack Moscow's "arch-criminal" activities in Angola and its "expansionist" and provocative foreign policy.

The release of the crew seems directly connected with Chinese efforts to undercut Soviet plans and policies prior to Moscow's 25th Party Congress in February. Peking probably hopes to complicate efforts by Soviet leaders to use the theme of a rigidly defiant China in their general foreign policy, particularly plans for a conference of European Communist parties and, later, an international Communist meeting.

Peking probably also had the US in mind. The crew's release may have been intended as a subtle reminder to Washington that Peking's position in the triangular relationship is not inflexible and that the US should not take China for granted nor believe that the Sino-US rapprochement indefinitely precludes some improvement in Sino-Soviet relations. The Chinese may believe that this gesture toward Moscow will stimulate further controversy in the US about detente with the USSR and give Washington pause in dealing with the Soviets on such sensitive issues as a second SALT agreement.

China's long public silence on the helicopter affair in the face of strong Soviet diplomatic and propaganda pressure indicates that dealing with

the matter was a contentious issue in Peking. Anti-Sovietism was central to major political campaigns during this period, and a decision to release the crew under these circumstances would probably have been politically difficult if not impossible. Although we have no information how or when this issue was resolved, Peking may have decided to release the crew some time ago. Soviet diplomats in China claim the crew was moved to the Peking area several months ago.

## Soviet Reaction

The Soviets are publicly treating China's decision to release the crewmen cautiously, but unless China's move was the result of some hidden tradeoff, they will probably begin probing to see if it represents a real departure in China's attitude.

Soviet media, which have carried only brief factual reports on the crewmen's release, seem to be giving China minimum credit for the action, and there has been no diminution yet in Soviet radio attacks on the Chinese.

Soviet embassy officials in Peking are more optimistic about China's action, professing to regard it as a major conciliatory gesture. The Soviets told US officials they were completely surprised by the Chinese action and were especially struck by the "apologetic" tone of the announcement. They played down the significance of Moscow's revelation two weeks ago that China holds three additional Soviets who apparently strayed across the border between 1971 and 1975. They maintain—unlike Soviet officials in Moscow—that the three may in fact have been defectors.

Moscow could respond to Peking's moves in a number of ways and may have been planning a conciliatory gesture of its own before the Soviet party congress in February. The Soviets, who have made no new offers to the Chinese on the border problem since June 1974, could send their chief negotiator at the border talks, who was brought home last May, back to Peking. They could also make some concession so that the annual river

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navigation talks can get under way. There were no talks in 1975 because of Peking's demand that territorial questions be placed on the agenda.

hold uranium off the market until it could be exported in enriched, and thus more valuable, form. The new administration has said it will permit exports of uranium oxide while monitoring them to ensure that domestic needs are met and a reasonable return is obtained.

Development of existing deposits has been held up by the ban on exports. Only two projects—the Mary Kathleen and Ranger mines, which had export commitments prior to the prohibition—have been given Canberra's permission to proceed. The Mary Kathleen, a small mining operation in the late 1950s and early 1960s, will probably resume operations within a few months. Production at the far larger Ranger mine must await the results of an environmental study, which is not likely to be completed until next June. Facilities probably cannot be in operation there much before 1980.

Australia plans no nuclear power industry for at least another decade, hence nearly all uranium output could be exported. The country sold small amounts to the US and the UK until the mid-1960s, when production abruptly declined.

Australia's Uranium Mine Resources



## 72-79 AUSTRALIAN URANIUM POLICY

With about one fifth of Free World uranium reserves, Australia could become a world leader in uranium production within the next decade. Production capacity by 1985 could reach 15,000 tons. Seven projects are now in the planning stage, the largest one having a planned capacity of 3,500 tons. Very little of the planned capacity will come on stream before 1980.

Several massive deposits were discovered in the early 1970s. Hemmed in by government restrictions, however, uranium exploration has slowed markedly in the past three years. Additional reserves have been proved at known deposits, but no new finds have been made since 1972. Private firms have been unable to obtain new exploration leases and the Australian Atomic Energy Commission is just beginning to plan its own exploratory core drilling activity.

The Liberal-Country government, victor in last month's election, will continue the Labor government's ban on foreign investment in uranium exploration and development. It will probably also uphold federal government ownership of all deposits in the Northern Territory, where about 80 percent of proved reserves are located. Private companies will be allowed to continue operations on federal lands under government supervision until their licenses expire. New projects will be carried out by the Australian Atomic Energy Commission. Unlike its predecessor, the Fraser government will probably not push for government participation in existing foreign-held ventures.

The major departure, however, will be a lifting of the ban on exports of uranium. Imposed by Labor in late 1972, the ban was designed to

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Following the discovery of large new deposits, several export contracts were signed in 1972, most with the Japanese. These contracts call for delivery of 11,000 tons of uranium oxide between 1976 and 1986. In order to honor them, the government will have to draw on its 2,275-ton stockpile until the Ranger project comes on stream.

If Canberra allows producers to carry out their present plans, Australia could be exporting about 15,000 tons of uranium oxide by the mid-1980s. The country would thus be a major exporter, probably surpassing Canada and South Africa and ranking second behind the US.

Construction of an enrichment facility in Australia is a long way off. The Labor government pushed hard for such a plant and wanted Japan to supply the capital and the US or a West European country the technology. The Japanese agreed in November 1974 to do a joint feasibility study with Australia but have since dragged their feet. Canberra made numerous efforts to prod the Japanese, citing West European interest and making exaggerated claims of substantial progress on its own in developing centrifuge enrichment technology. The new administration in Canberra is likely to re-examine the issue. [redacted]

80-89

## **LAOS-THAILAND: BORDER TO REOPEN**

Bangkok appears to be backing off in its border dispute with Laos. Prime Minister Khukrit has announced that the border in the Vientiane area will be reopened indefinitely on January 1.

The Lao have admitted that Vientiane is facing serious economic difficulties as a result of the closure, but they have steadfastly refused negotiations with Bangkok as long as the border remains closed. Deputy Prime Minister Phoun

Sipaseut has in fact publicly ruled out any talks on outstanding problems until the border is reopened and Bangkok "sincerely displays a friendly attitude of true neighborliness." Thai Foreign Minister Chatchai claims, however, that the Lao government has promised not to fire on Thai patrol boats on the Mekong.

Although Bangkok has been insisting that negotiations are necessary before the border is reopened, the Thai may have decided that it is better to open the border and get a dialogue going with the Lao before the border dispute becomes a serious test of wills. The Thai may also be concerned that a long-term closure of the border would serve to make Laos' dependence on its communist allies complete and thereby further reduce the chances of a general Thai-Lao accommodation.

The Thai may also be concerned about the failure thus far to get essential supplies to foreign embassies in Vientiane. A tentative agreement on a one-day border opening to send supplies into diplomatic missions and to ship out some baggage for the departing French military mission fell through.

Bangkok can always close the border again if the Lao refuse to talk seriously about any of the outstanding issues, such as the continued flow of refugees into Thailand, arms smuggling from Laos into Thailand, and the smuggling of commodities from Thailand into Laos.

To relieve their economic difficulties, the Lao appealed to several non-communist diplomatic missions in Vientiane to try to persuade Bangkok to reopen the border, and they also sought help from their communist friends. Both Hanoi and Moscow are known to have responded. The Vietnamese delivered some fuel and other supplies by truck and by air, and the Soviet Union also initiated AN-12 flights from Hanoi carrying food and petroleum to Vientiane. Soviet officials in Vientiane have said the airlift will continue as long as necessary. Substantial amounts of communist supplies, however, including Soviet gasoline and Chinese rice, are stranded at the Thai-Lao border.

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**ARGENTINA: MILITARY INCREASES ROLE**

The inability of Argentine civilian leaders to resolve the country's grave political crisis will force military commanders to play an increasing role in the government. Attempts to force President Maria Estela Peron out of office through an impeachment motion in Congress have again bogged down in procedural wrangling. There now appears to be little chance that the President can be ousted by parliamentary tactics.

Defections from the ranks of her legislative supporters continue, however, and on December 30 the chamber of deputies passed a vote of no confidence against its president, one of Mrs. Peron's strongest allies.

The President, meanwhile, remains in semi-isolation, accepting advice only from a small group of hard-core supporters. She has refused to communicate directly with her chief cabinet officer, Interior Minister Robledo, since a heated argument several weeks ago. Efforts of the top army chaplain to arrange an orderly transfer of power have been unsuccessful. President Peron appears willing to drop some unpopular advisers, but is steadfast in her determination to stay in office.

Under these circumstances, military leaders, particularly army commander General Jorge Videla, will be forced to take a larger hand in national political decisions. They are in a unique position to do so. In the aftermath of the air force rebellion and last week's victory over the guerrillas, military unity and coordination have greatly improved and Videla has emerged as a strong political figure.

Videla's bloodless victory over the right-wing air force rebels has given him the public image of a defender of constitutionalism. His hard-hitting Christmas eve speech, demanding that civilian politicians provide "solutions" and an end to corruption, also strengthened his hand. Last week Videla intervened deeply in national politics when he blocked a central government take-over of Buenos Aires Province by speaking out in favor

of President Peron's arch-rival, Governor Victorio Calabro.

Videla and other top commanders will drag their feet with regard to assuming full control of the government so long as there is a chance that the civilians can persuade the President to step down. The longer they delay, however, the greater the likelihood that other hard-line anti-Peronists in the military will attempt another rebellion.

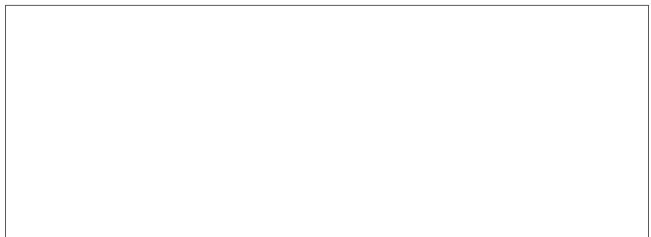
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**ECUADOR: PLOTTING CONTINUES**

Plotting against the three-year-old government of President Rodriguez Lara has apparently reached into the army high command. On December 25, President Rodriguez reportedly placed Army Commander General Luis Guillermo Duran under house arrest for conspiring against him. The government is investigating to determine who else is involved; further arrests may be in the offing. Rodriguez is said to have received the resignations of all his ministers last week, and some posts may change hands as he seeks to ensure the loyalty of key military officers in his government.

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Rodriguez has been able to take advantage of this disarray and is proceeding with plans for a return to civilian government. The broad outlines, which he intends to announce on February 16, are already taking shape. Rodriguez reportedly plans to turn over power on August 10, 1977, to an elected successor. The remainder of the government will be appointed rather than elected.

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In addition, an "institutionalization" board comparable to a national legislature will represent groups rather than geographic areas of the country. Similar boards will be created at the provincial level.

The "reformed" constitution will prohibit the re-election of former presidents and disqualify anyone running for the presidency who was not born in Ecuador of Ecuadorean parents. These provisions would rule out such major opposition leaders as former president Velasco Ibarra and Assad Bucaram, political leader in Guayaquil.

Although political leaders would applaud the

decision to return to civilian government, they are unlikely to be pleased with the provision for the appointment rather than the election of all officials other than the president. Further stipulations affecting the number and operations of political parties permitted to participate in the presidential election would also provide strong opposition. Furthermore, the military itself is divided between officers favoring continuation of military rule and those who do not. In fact, rather than quieting opposition to his government, the President's speech in February could further intensify plotting against the government, promoting the very instability that Rodriguez is attempting to calm.

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## OAPEC: JOINT DEVELOPMENT PROJECTS

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The Organization of Arab Petroleum Exporting Countries (OAPEC), composed of the Arab members of OPEC as well as most of the smaller Arab oil-producing states, is moving ahead on joint projects for the development of Arab national oil industries.

Founded in 1968 to promote common interests on international petroleum matters not undertaken by OPEC, OAPEC has served as an economic and political stalking horse for the major Arab oil exporting states as well as a forum for Arab states unable to qualify for membership in the international oil cartel. The most significant undertaking of OAPEC to date has been its investigation of the Arab oil embargo in late 1973.

OAPEC greatly broadened its activities this year by establishing:

- The Arab Petroleum Investment Company to be headquartered in Damman, Saudi Arabia. The company will assist in evaluating, financing, and implementing oil, gas, and petrochemical projects, both Arab and non-Arab.

- The Arab Petroleum Services Company, in Tripoli, Libya, to carry out exploration and oil field servicing under contract through local subsidiaries. The company is

to have paid up capital of \$15 million, with a total capital ceiling of \$100 million.

- The Arab Maritime Petroleum Transport Company, which initiated its operations in mid-1975 by formulating a \$2-billion investment program for the acquisition of a mixed tanker fleet by 1980. Six very large crude carriers already have been contracted for. The company also serves as a ship registry authority.

- The Arab Shipbuilding and Repair Yard Company, with a ship repair complex under construction in Bahrain.

OAPEC has also taken on the task of manpower training, with special emphasis on middle and upper level management. Results of a survey of existing training facilities will be presented at the next OAPEC conference, scheduled for Baghdad in early May. Meanwhile, plans call for an augmentation of Maritime Academy facilities now located in Alexandria. New sites will include Jidda, Doha, and Basrah.

In addition, OAPEC approved capital payments of \$80 million a year in 1974-75 for use as balance-of-payments assistance to Arab oil-importing countries. This operation is managed by the Arab Fund for Economic and Social Development headquartered in Kuwait.

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